

Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 COME-00 EB-08 AGRE-00 AID-05 SS-15
SP-02 L-03 TRSE-00 OMB-01 NSC-05 CTME-00 DOE-15
SOE-02 CIAE-00 INR-10 NSAE-00 /081 R

DRAFTED BY ARA/AND/E:JAALLITTO:CMM
APPROVED BY ARA:TATODMAN
ARA/AND:MRBARNEBEY
ARA/ECP:ACOOLEY (BY PHONE)
COMMERCE:TJACKA (INFO)
-----071268 211616Z /47

R 210237Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY QUITO
INFO AMCONSUL GUAYAQUIL

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E.O. 11652: 4/A

TAGS: ETRD, EINV, EIND, EAID, EPAP, EC

SUBJECT: ECUADOREAN COMMERCE MINISTER'S MEETING WITH ARA

REF: STATE 125303

1. ON MAY 16, ECUADOREAN MINISTER OF INDUSTRY, COMMERCE,
AND INTEGRATION MONTANO, ACCOMPANIED BY AMBASSADOR YCAZA
AND 20 MEMBERS OF THE ECUADOREAN ECONOMIC MISSION AND
EMBASSY, MET WITH ASSISTANT SECRETARY TODMAN AND
COLLEAGUES FROM ARA. THE FOLLOWING IS THE GIST OF THE
CONVERSATION.

2. TODMAN-WELCOMED THE ECUADOREANS-AND NOTED THE CORDIAL
STATE OF RELATIONS THAT EXIST BETWEEN OUR TWO COUNTRIEAAL
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ESPECIALLY SINCE MRS. CARTER'S TRIP TO QUITO LAST YEAR.

3. MONTANO REPLIED IN KIND, AND EXPLAINED THE PURPOSES
OF THE MISSION. FIRST, TO PROMOTE U.S. INVESTMENT IN
ECUADOR, MONTANO NOTED THAT THE MISSION ALREADY HAD
REACHED AGREEMENT WITH OWENS-ILLINOIS, WHICH PLANS ON
BUILDING A DOLS 20 MILLION GLASS BOTTLE PLANT NEAR

GUAYAQUIL, AND WITH BUTTE OIL COMPANY, WHICH PLANS ON BUILDING A DOLS 75 MILLION CEMENT PLANT IN COTOPAXI (SOUTH OF QUITO). HE ALSO MENTIONED A POSSIBLE AGREEMENT

WITH FORD TO PRODUCE LIGHT TRUCKS, NOTED THAT FORD AND GENERAL MOTORS WERE AMONG THOSE BEING CONSIDERED TO PRODUCE SMALL CARS FOR THE ANDEAN MARKET, AND SAID THE GOE PLANNED TO CALL FOR BIDS FOR OFFSHORE DRILLING FOR OIL. SECONDLY, ECUADOR WANTS TO INCREASE ITS TRADE WITH THE WEST COAST OF THE U.S. MONTANO NOTED THAT 90 PERCENT OF ECUADOR'S TRADE WITH THE U.S. IS CURRENTLY WITH THE EAST COAST, AND THAT IT IS ONLY NATURAL FOR ECUADOR TO TRY TO INCREASE ITS TRADE WITH THE WEST COAST AS WELL AS WITH THE OTHER PACIFIC OCEAN COUNTRIES SUCH AS AUSTRALIA, NEW ZEALAND, JAPAN AND CANADA.

4. MONTANO THEN LISTED THE PROBLEMS THAT THE GOE WOULD LIKE TO RESOLVE:

A. SUGAR. MONTANO STATED THAT THE ECUADOREAN SUGAR INDUSTRY WAS IN A CRITICAL CONDITION BECAUSE INTERNAL PRODUCTION COSTS ARE 12 CENTS/POUND, BUT THE WORLD MARKET PRICE IS ONLY 7 CENTS/POUND. HE VIEWED THE ISA AS THE ONLY SOLUTION. TODMAN REPLIED THAT THE PRESIDENT AGREED WITH MONTANO, AND THAT THE EXECUTIVE BRANCH HOPED THAT CONGRESS WOULD RATIFY THE ISA. HE NOTED THAT OTHER PRODUCING COUNTRIES WERE IN WORSE SHAPE THAN ECUADOR, AND LIMITED OFFICIAL USE

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THAT THIS ADMINISTRATION HAS WORKED HARD TO SOLVE THE PROBLEM.

B. THE TRADE ACT'S OPEC EXCLUSION FROM GSP. MONTANO SAID THAT THE USG ALREADY KNEW ECUADOR'S POSITION ON THIS ISSUE, BUT THAT HE WANTED TO MENTION THAT HE HAD MET THE PREVIOUS DAY WITH 16 CONGRESSMEN WHO WERE SYMPATHETIC TO ECUADOR'S POSITION, AND WHO TOLD HIM THAT IT WAS UP TO THE EXECUTIVE BRANCH TO PUSH THIS ISSUE BECAUSE CONGRESS WAS READY TO CORRECT THE INEQUITY. TODMAN CONGRATULATED MONTANO ON HIS SUCCESS WITH THE CONGRESSMEN BUT NOTED THAT ENERGY LEGISLATION NOW PENDING IN CONGRESS FORCES THE ADMINISTRATION TO GO SLOWLY AND DO NOTHING TO JEOPARDIZE THAT LEGISLATION. HE ALSO NOTED THAT OTHER COUNTRIES BESIDES ECUADOR ARE INVOLVED, AND MUST BE TAKEN INTO CONSIDERATION. HE ADDED THAT OTHER PARTS OF THE TRADE ACT WERE TROUBLESOME, TOO,- AND THAT SOME FELT THAT IF THE TRADE ACT WAS TO BE AMENDED, THEN ALL ITS FAULTS SHOULD BE ADDRESSED--NOT JUST THIS ONE. THEREFORE, THE ADMINISTRATION WAS TRYING TO DETERMINE EXACTLY WHAT AMENDMENTS WERE POSSIBLE, AND WHEN WOULD BE THE RIGHT TIME TO PROPOSE THEM.

C. REQUEST FOR TARIFF SCHEDULE RECLASSIFICATION OF
XANTHOPHYLL CONCENTRATE. MONTANO LEFT A MEMORANDUM THAT

EXPLAINS THIS ISSUE. THE MEMORANDUM HAS BEEN FORWARDED
TO THE DEPARTMENT OF THE TREASURY, SINCE THE BUREAU OF
CUSTOMS HAS JURISDICTION. (COPY BEING POUCHED TO EMBASSY.)

D. REACTIVATION OF THE AID PROGRAM IN ECUADOR. MONTANO
EXPRESSED HOPE THAT THE AID PROGRAM IN ECUADOR WOULD BE
REACTIVATED, AND SUMMED UP HIS EARLIER MEETING WITH AID/LA
DEPUTY ADMINISTRATOR COY (SEE REFTEL). TODMAN REPLIED
THAT THE ADMINISTRATION WAS CURRENTLY STUDYING THE ISSUE
OF HOW IT COULD AID MIDDLE-INCOME COUNTRIES SUCH AS ECUADOR.

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